ENGROSSED SECOND SUBSTITUTE SENATE BILL 5069

State of Washington 59th Legislature 2005 Regular Session

By Senate Committee on Ways & Means (originally sponsored by Senators Keiser, Kohl-Welles, Franklin, Thibaudeau, Brown, Kline and Regala)

READ FIRST TIME 03/08/05.

- AN ACT Relating to family leave insurance; and adding a new chapter
- 2 to Title 49 RCW.
- 3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:
- The legislature finds that, although family NEW SECTION. Sec. 1. 4 5 leave laws have assisted individuals to balance the demands of the workplace with their family responsibilities, more needs to be done to 6 achieve the goals of family care, work force stability, and economic 7 8 security. In particular, the legislature finds that many individuals do not have access to family leave laws, and those who do may not be in 9 10 a financial position to take family leave that is unpaid, and that employer-paid benefits, including family leave and disability benefits, 11 12 meet only a relatively small part of this need. The legislature declares it to be in the public interest to establish a program that: 13 (1) Allows parents to bond with a newborn or newly placed child, and 14 15 workers to care for seriously ill family members; (2) is in addition to those programs offered by employers whether voluntary or required by 16 federal or state family leave laws; (3) provides limited income support 17 for a reasonable period while an individual is away from work on family 18

- 1 leave; and (4) reduces the impact on state income support programs by
- 2 increasing an individual's ability to provide care giving services for
- 3 family members while maintaining an employment relationship.
- MEW SECTION. Sec. 2. The definitions in this section apply throughout this chapter unless the context clearly requires otherwise.
 - (1) "Application year" means the twelve-month period beginning on the first day of the calendar week in which an individual files an application for family leave insurance benefits and, thereafter, the twelve-month period beginning with the first day of the calendar week in which the individual next files an application for family leave insurance benefits after the expiration of the individual's last preceding application year.
 - (2) "Calendar quarter" has the meaning provided in RCW 50.04.050.
 - (3) "Child" means a person who is:
- 15 (a) A biological, adopted, or foster child, a stepchild, a legal 16 ward, or a child of a person standing in loco parentis; and
 - (b)(i) Under eighteen years of age; or
- (ii) Eighteen years of age or older and incapable of self-care because of a mental or physical disability, whether permanent or temporary.
 - (4) "Department" means the department of labor and industries.
- 22 (5) "Director" means the director of the department of labor and industries.
 - (6) "Employer" means: (a) The same as the definition in RCW 50.04.080; and (b) the state and its political subdivisions. "Employer" does not include a person or entity who employs fewer than fifty employees.
 - (7) "Employment" has the meaning provided in RCW 50.04.100.
- 29 (8) "Family leave" means leave from employment:
- 30 (a) To care for a newborn child or adopted or foster child of the 31 individual or the individual's spouse when leave is completed within 32 twelve months after the birth or the placement for adoption or foster 33 care, as applicable; or
- 34 (b) To care for the individual's family member who has a serious 35 health condition.
- 36 (9) "Family leave insurance benefits" means the benefits payable 37 under sections 6 and 7 of this act.

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- 1 (10) "Family member" means a child, spouse, or the parent of the individual or individual's spouse.
 - (11) "Health care provider" means: (a) A person licensed as a physician under chapter 18.71 RCW; (b) an osteopathic physician and surgeon under chapter 18.57 RCW; or (c) any other person determined by the director to be capable of providing health care services.
 - (12) "Parent" means a biological or adoptive parent, a stepparent, or an individual who stood in loco parentis to an individual or an individual's spouse when the individual or individual's spouse was a child.
 - (13) "Premium" or "premiums" means payments required by this chapter to be made to the department for the family leave insurance account under section 20 of this act.
 - (14) "Qualifying year" means the first four of the last five completed calendar quarters or the last four completed calendar quarters immediately preceding the first day of the individual's application year.
 - (15) "Regularly working" means the average number of hours per work week that an individual worked in the two quarters of the individual's qualifying year in which total wages were highest.
 - (16) "Serious health condition" means:

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- 22 (a) An illness, injury, impairment, or physical or mental condition 23 that involves:
 - (i) A period of incapacity or treatment connected with inpatient care, such as an overnight stay, in a hospital, hospice, or residential medical care facility, and a period of incapacity or subsequent treatment or recovery in connection with such inpatient care; or
 - (ii) Continuing treatment by or under the supervision of a health care provider or a provider of health care services and which includes a period of incapacity, such as an inability to work, attend school, or perform other regular daily activities; and
- 32 (b) The period of such incapacity or continuing treatment is 33 expected to exceed the waiting period specified in section 6 of this 34 act over the course of the application year.
- NEW SECTION. Sec. 3. (1) The department shall establish and administer a family leave insurance program and pay family leave insurance benefits as specified in this chapter.

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- (2) The department shall establish procedures and forms for filing claims for benefits under this chapter. The department shall notify the employer within five business days of a claim being filed under section 4 of this act.
 - (3) The department may require that a claim for benefits under this chapter be supported by a certification issued by the health care provider providing health care to the individual's family member.
 - (4) The employment security department shall disclose relevant information and records, and the department shall use information sharing and integration technology to facilitate such disclosure, so long as an individual consents to such disclosure as required under section 4(4) of this act.
- (5) Information contained in the files and records pertaining to an individual under this chapter are confidential and not open to public inspection, other than to public employees in the performance of their However, the individual duties. or an authorized representative of an individual may review the records or receive specific information from the records on the presentation of the signed authorization of the individual. An employer or the employer's duly authorized representative may review the records of an individual employed by the employer in connection with a pending claim. At the department's discretion, other persons may review records when such persons are rendering assistance to the department at any stage of the proceedings on any matter pertaining to the administration of this chapter.
- (6) The department shall develop and implement an outreach program to ensure that individuals who may be eligible to receive family leave insurance benefits under this chapter are made aware of these benefits. Outreach information shall explain, in an easy to understand format, eligibility requirements, the claims process, weekly benefit amounts, maximum benefits payable, notice and medical certification requirements, reinstatement and nondiscrimination confidentiality, and the relationship between benefits under this chapter and other leave rights and benefits. Outreach information shall be available in English and other primary languages as defined in RCW 74.04.025.

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NEW SECTION. Sec. 4. Beginning September 3, 2006, family leave insurance benefits are payable to an individual during a period in which the individual is on family leave if the individual:

- (1) Files a claim for benefits in each week in which the individual is on family leave, and as required by rules adopted by the director;
- (2) Has been employed for at least nine hundred sixty hours in employment during the individual's qualifying year or has been continuously employed for the twelve months preceding the month during which the employee files for benefits, whichever is less;
- (3) Establishes an application year. An application year may not be established if the qualifying year includes hours worked before establishment of a previous application year;
- (4) Consents to the disclosure of information or records deemed private and confidential under chapter 50.13 RCW. Initial disclosure of this information and these records by the employment security department to the department is solely for purposes related to the administration of this chapter. Further disclosure of this information or these records is subject to sections 3(4) and 13(2)(b) of this act;
- (5) Discloses whether or not he or she owes child support obligations as defined in RCW 50.40.050;
- (6) Documents that he or she has provided the employer from whom family leave is to be taken with written notice of the individual's intention to take family leave as follows:
- (a) If the necessity for family leave defined in section 2(8)(a) of this act was foreseeable based on an expected birth or placement, notice was given at least thirty days before the family leave was to begin, stating the anticipated starting date and ending date of the family leave. However, if the date of birth or placement required family leave to begin in less than thirty days or if the date of birth or placement required family leave to be changed or extended, as much notice as practicable was given;
- (b) If the necessity for family leave defined in section 2(8)(b) of this act was foreseeable based on planned medical treatment:
- (i) Notice was given at least thirty days before the family leave was to begin, stating the anticipated starting date and ending date of the family leave. However, if the date of the treatment required family leave to begin in less than thirty days or if the date of the

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treatment required family leave to be changed or extended, as much notice as practicable was given; and

- (ii) The individual made reasonable efforts to schedule the treatment so as not to disrupt unduly the operations of the employer, subject to the approval of the health care provider of the family member, as applicable; and
- (c) If the necessity for family leave defined in section 2(8) (a) or (b) of this act is not foreseeable, the employee must give notice to the employer of the need for leave as soon as practicable under the facts and circumstances of the case, stating the anticipated starting and ending date of the family leave. It is expected that an employee will give notice to the employer within no more than one or two working days of learning of the need for leave, except in the extraordinary circumstances where such notice is not feasible; and
- 15 (7) Is not receiving benefits under the unemployment compensation, 16 industrial insurance, or crime victims' compensation laws of this 17 state, any other state, or the United States.
- NEW SECTION. Sec. 5. An individual is disqualified from family leave insurance benefits beginning with the first day of the calendar week, and continuing for the next fifty-two consecutive weeks, in which the individual willfully made a false statement or misrepresentation regarding a material fact, or willfully failed to report a material fact, to obtain benefits under this chapter.
 - NEW SECTION. Sec. 6. (1) The maximum number of weeks during which family leave insurance benefits are payable in an application year is five weeks. However, benefits are not payable during a waiting period consisting of the first five work days of family leave taken in an application year with respect to a particular type of family leave, whether the first five work days of family leave are employer paid or unpaid.
 - (2)(a) The first payment of benefits must be made to an individual within two weeks after the claim is filed or the family leave began, whichever is later, and subsequent payments must be made semimonthly thereafter.
- 35 (b) The payment of benefits under this chapter shall not be 36 considered a binding determination of the obligations of the department

under this chapter. The acceptance of compensation by the individual shall likewise not be considered a binding determination of his or her rights under this chapter. Whenever any payment of benefits under this chapter has been made and timely appeal therefrom has been made where the final decision is that the payment was improper, the individual shall repay it and recoupment may be made from any future payment due to the individual on any claim under this chapter. The director may exercise his or her discretion to waive, in whole or in part, the amount of any such payments where the recovery would be against equity and good conscience.

- (c) If an individual dies before he or she receives a payment of benefits, the payment shall be made to the surviving spouse, or the child or children if there is no surviving spouse. If there is no surviving spouse, and no child or children, the payment shall be made by the department and distributed consistent with the terms of the decedent's will or, if the decedent dies intestate, consistent with the terms of RCW 11.04.015.
- (3) Benefits are not payable and waiting period credits are not earned under this chapter for any weeks in which compensation is paid or payable to the individual under Title 50 RCW or similar law of another state or the United States, or under RCW 51.32.060 or 51.32.090 or another state or federal workers' compensation law.
- NEW SECTION. Sec. 7. The amount of family leave insurance benefits shall be determined as follows:
 - (1) The weekly benefit shall be two hundred fifty dollars per week for an individual who at the time of beginning family leave was regularly working forty hours or more per week.
 - (2) If an individual who at the time of beginning family leave was regularly working forty hours or more per week is on family leave for less than forty hours but at least eight hours in a week, the individual's weekly benefit shall be .025 times the maximum weekly benefit times the number of hours of family leave taken in the week. Benefits are not payable for less than eight hours of family leave taken in a week.
 - (3) For an individual who at the time of beginning family leave was regularly working less than forty hours per week, the department shall calculate a prorated schedule for a weekly benefit amount and a minimum

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number of hours of family leave that must be taken in a week for 1 2 benefits to be payable, with the prorated schedule based on the amounts and the calculations specified under subsections (1) and (2) of this 3 section. 4

- (4) If an individual discloses that he or she owes child support obligations under section 4 of this act and the department determines that the individual is eligible for benefits, the department shall notify the applicable state or local child support enforcement agency and deduct and withhold an amount from benefits in a manner consistent with RCW 50.40.050.
- (5) If the internal revenue service determines that family leave 11 insurance benefits under this chapter are subject to federal income tax 12 and an individual elects to have federal income tax deducted and 13 withheld from benefits, the department shall deduct and withhold the 14 amount specified in the federal internal revenue code in a manner 15 consistent with section 8 of this act. 16
 - NEW SECTION. Sec. 8. (1) If the internal revenue service determines that family leave insurance benefits under this chapter are subject to federal income tax, the department must advise an individual filing a new claim for family leave insurance benefits, at the time of filing such claim, that:
- 22 (a) The internal revenue service has determined that benefits are subject to federal income tax; 23
 - (b) Requirements exist pertaining to estimated tax payments;
 - (c) The individual may elect to have federal income tax deducted and withheld from the individual's payment of benefits at the amount specified in the federal internal revenue code; and
- (d) The individual is permitted to change a previously elected 29 withholding status.
 - (2) Amounts deducted and withheld from benefits must remain in the family leave insurance account until transferred to the federal taxing authority as a payment of income tax.
- (3) The director shall follow all procedures specified by the 33 federal internal revenue service pertaining to the deducting and 34 withholding of income tax. 35

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NEW SECTION. Sec. 9. If family leave insurance benefits are paid erroneously or as a result of willful misrepresentation, or if a claim for family leave benefits is rejected after benefits are paid, RCW 51.32.240 shall apply, except that appeals are governed by section 14 of this act, penalties are paid into the family leave insurance account, and the department shall seek repayment of benefits from the recipient.

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- NEW SECTION. Sec. 10. During a period in which an individual 8 receives family leave insurance benefits under this chapter, the 9 individual is entitled to family leave. Family leave for which an 10 11 individual is receiving or received family leave insurance benefits under this chapter must be taken concurrently with leave under the 12 federal family and medical leave act of 1993 (Act Feb. 5, 1993, P.L. 13 103-3, 107 Stat. 6), chapter 49.78 RCW, or other applicable federal, 14 15 state, or local law. At the established ending date of leave, the 16 individual may be reinstated in his or her position with the employer 17 from whom leave was taken under the applicable law most favorable to However, if the individual is not entitled to 18 the individual. 19 reinstatement on return from family leave under the federal family and 20 medical leave act of 1993 (Act Feb. 5, 1993, P.L. 103-3, 107 Stat. 6), 21 chapter 49.78 RCW, or other applicable federal, state, or local law, 22 then there is no entitlement to reinstatement under this act.
- NEW SECTION. Sec. 11. (1) This chapter does not limit an individual's right to leave from employment under other laws, collective bargaining agreements, or employer policy, as applicable, except as provided in this chapter.
 - (2) If an employer provides paid family leave through any means, the individual may elect whether first to use the paid family leave or to receive family leave insurance benefits under this chapter. An individual may not be required to use the individual's paid family leave to which the individual is otherwise entitled before receiving benefits under this chapter.
- NEW SECTION. Sec. 12. (1) An employer of individuals not covered by this chapter or a self-employed person, including a sole proprietor, partner, or joint venturer, may elect coverage under this chapter for

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- all individuals in its employ for an initial period of not less than three years or a subsequent period of not less than one year immediately following another period of coverage. The employer or self-employed person must file a notice of election in writing with the director, as required by the department. The election becomes effective on the date of filing the notice.
 - (2) An employer or self-employed person who has elected coverage may withdraw from coverage within thirty days after the end of the three-year period of coverage, or at such other times as the director may prescribe by rule, by filing written notice with the director, such withdrawal to take effect not sooner than thirty days after filing the notice. Within five days of filing written notice of the withdrawal with the director, an employer must provide written notice of the withdrawal to all individuals in the employer's employ.
 - (3) An employer of fewer than fifty employees may elect coverage under this chapter for all individuals. The employer must file a notice of election in writing with the director, as required by the department. The election becomes effective on the date of filing the notice.
 - (4) The department may cancel elective coverage if the employer or self-employed person fails to make required payments or reports. The department may collect due and unpaid premiums and may levy an additional premium for the remainder of the period of coverage. The cancellation shall be effective no later than thirty days from the date of the notice in writing advising the employer or self-employed person of the cancellation. Within five days of receiving written notice of the cancellation from the director, an employer must provide written notice of the cancellation to all individuals in the employer's employ.
- NEW SECTION. Sec. 13. (1) In the form and at the times specified by the director, an employer shall make reports, furnish information, and remit premiums as required by section 19 of this act to the department. If the employer is a temporary help company that provides employees on a temporary basis to its customers, the temporary help company is considered the employer for purposes of this section. However, if the temporary help company fails to remit the required premiums, the customer to whom the employees were provided is liable for paying the premiums.

(2)(a) An employer must keep at his or her place of business a record of employment from which the information needed by the department for purposes of this chapter may be obtained. This record shall at all times be open to the inspection of the director or department employees designated by the director.

- (b) Information obtained from employer records under this chapter is confidential and not open to public inspection, other than to public employees in the performance of their official duties. However, an interested party shall be supplied with information from employer records to the extent necessary for the proper presentation of the case in question. An employer may authorize inspection of its records by written consent.
- (3) The requirements relating to the assessment and collection of family leave insurance premiums are the same as the requirements relating to the assessment and collection of industrial insurance premiums under Title 51 RCW, including but not limited to penalties, interest, and department lien rights and collection remedies. These requirements apply to:
- (a) An employer that fails under this chapter to make the required reports, or fails to remit the full amount of the premiums when due;
- (b) An employer that willfully makes a false statement or misrepresentation regarding a material fact, or willfully fails to report a material fact, to avoid making the required reports or remitting the full amount of the premiums when due under this chapter;
- (c) A public entity that engages in work or lets a contract for work, in the manner specified in RCW 51.12.050;
- (d) A person, firm, or corporation who lets a contract for work, in the manner specified in RCW 51.12.070;
- (e) A successor, as defined in RCW 51.08.177, in the manner specified in RCW 51.16.200; and
- 31 (f) An officer, member, manager, or other person having control or 32 supervision of payment and/or reporting of family leave insurance, or 33 who is charged with the responsibility for the filing of returns, in 34 the manner specified in RCW 51.48.055.
- 35 (4) Notwithstanding subsection (3) of this section, appeals are governed by section 14 of this act.

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- NEW SECTION. Sec. 14. (1) A person aggrieved by a decision of the department under this chapter must file a notice of appeal with the director, by mail or personally, within thirty days after the date on which a copy of the department's decision was communicated to the person. Upon receipt of the notice of appeal, the director shall request the assignment of an administrative law judge in accordance with chapter 34.05 RCW to conduct a hearing and issue a proposed decision and order. The hearing shall be conducted in accordance with chapter 34.05 RCW.
- (2) The administrative law judge's proposed decision and order shall be final and not subject to further appeal unless, within thirty days after the decision is communicated to the interested parties, a party petitions for review by the director. If the director's review is timely requested, the director may order additional evidence by the administrative law judge. On the basis of the evidence before the administrative law judge and such additional evidence as the director may order to be taken, the director shall render a decision affirming, modifying, or setting aside the administrative law judge's decision. The director's decision becomes final and not subject to further appeal unless, within thirty days after the decision is communicated to the interested parties, a party files a petition for judicial review as provided in chapter 34.05 RCW. The director is a party to any judicial action involving the director's decision and shall be represented in the action by the attorney general.
- (3) If, upon administrative or judicial review, the final decision of the department is reversed or modified, the administrative law judge or the court in its discretion may award reasonable attorneys' fees and costs to the prevailing party. Attorneys' fees and costs owed by the department, if any, are payable from the family leave insurance account.
- NEW SECTION. Sec. 15. An employer, temporary help company, employment agency, employee organization, or other person may not discharge, expel, or otherwise discriminate against a person because he or she has filed or communicated to the employer an intent to file a claim, a complaint, or an appeal, or has testified or is about to testify or has assisted in any proceeding, under this chapter, at any time, including during the waiting period described in section 6 of

- 1 this act and the period in which the person receives family leave
- 2 insurance benefits under this chapter. This section shall be enforced
- 3 as provided in RCW 51.48.025.

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- NEW SECTION. Sec. 16. (1) This chapter is not intended to discourage employers from adopting or retaining policies that provide additional benefits to individuals to address family leave needs.
 - (2) This chapter is not to be construed to diminish an employer's obligation to comply with a collective bargaining agreement or an employment benefit program or plan that provides greater benefits to individuals than the family leave insurance benefits provided under this chapter.
- 12 (3) An agreement by an individual to waive his or her rights under 13 this chapter is void as against public policy.
- 14 (4) The benefits provided to individuals under this chapter may not 15 be diminished by a collective bargaining agreement or an employment 16 benefit program or plan entered into or renewed after the effective 17 date of this section.
- NEW SECTION. Sec. 17. This chapter does not create a continuing entitlement or contractual right. The legislature reserves the right to amend or repeal all or part of this chapter at any time, and a benefit or other right granted under this chapter exists subject to the legislature's power to amend or repeal this chapter. There is no vested private right of any kind against such amendment or repeal.
- NEW SECTION. Sec. 18. The director may adopt rules as necessary to implement this chapter. In adopting rules, the director shall maintain consistency with the rules adopted to implement the federal family and medical leave act of 1993 (Act Feb. 5, 1993, P.L. 103-3, 107 Stat. 6), to the extent such rules are not in conflict with this chapter.
- NEW SECTION. Sec. 19. (1)(a) Beginning on January 1, 2006, for each individual, each employer shall submit a premium of two cents per hour worked, up to a maximum of forty hours per week, to the department in the manner and at such intervals as the department directs for deposit in the family leave insurance account. In the payment of

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premiums, a fractional part of a cent shall be disregarded unless it amounts to one-half cent or more, in which case it shall be increased to one cent.

- (b) The director may reduce the amount of the premium from time to time to ensure that the amount is the lowest rate necessary to pay family leave insurance benefits and administrative costs, and maintain actuarial solvency in accordance with recognized insurance principles, of the family leave insurance program on a current basis, and to repay loaned funds from the supplemental pension fund, if any, as required in sections 21 and 22 of this act.
- (2)(a) Except as provided in (b) of this subsection, each employer may retain from the earnings of each individual an amount equal to the premium assessed for the individual pursuant to subsection (1) of this section.
- 15 (b) None of the amount assessed for the family leave insurance 16 account may be retained from the earnings of individuals covered under 17 RCW 51.16.210.
- NEW SECTION. Sec. 20. The family leave insurance account is 18 19 created in the custody of the state treasurer. All receipts from the 20 premium imposed under section 19 of this act or the penalties imposed 21 under section 13 of this act must be deposited in the account. Expenditures from the account may be used only for the purposes of the 22 23 family leave insurance program. Only the director or the director's 24 designee may authorize expenditures from the account. The account is subject to the allotment procedures under chapter 43.88 RCW, but an 25 26 appropriation is not required for benefit payments.
- NEW SECTION. Sec. 21. If necessary to ensure that money is 27 available in the family leave insurance account for the administration 28 29 of the family leave insurance program and the payment of benefits under 30 this chapter, the director may, from time to time, lend funds from the supplemental pension fund to the family leave insurance account. These 31 loaned funds may be expended solely for the purposes of administering 32 the program and paying benefits under this chapter. The director shall 33 34 repay the supplemental pension fund, plus its proportionate share of 35 earnings from investment of moneys in the supplemental pension fund

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- during the loan period, from the family leave insurance account within
- 2 one year after the date of the initial loan and within three months
- 3 after the date of any subsequent loan.
- 4 <u>NEW SECTION.</u> **Sec. 22.** Beginning September 1, 2006, the department
- 5 shall report to the legislature by September 1st of each year on
- 6 projected and actual program participation, premium rates, fund
- 7 balances, and outreach efforts.
- 8 <u>NEW SECTION.</u> **Sec. 23.** If any provision of this act or its
- 9 application to any person or circumstance is held invalid, the
- 10 remainder of the act or the application of the provision to other
- 11 persons or circumstances is not affected.
- 12 <u>NEW SECTION.</u> Sec. 24. Sections 1 through 23 of this act
- 13 constitute a new chapter in Title 49 RCW.

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